

**CITY OF VINTON**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2013**



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**City of Vinton**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John R. Watson	Mayor	December 2013
Ron Hessenius	Council Member	December 2013
Bud Maynard	Council Member	December 2013
David Redlinger	Council Member	December 2013
F. Ronald Elwick	Council Member	December 2015
Chris Bendull	Council Member	December 2015
Tamara Stark	Council Member	December 2015
Cindy Michael	City Clerk	
Andrew Lent	City Coordinator	
Fischer Law Firm	City Attorney	



**City of Vinton**



Donald A. Weber, C.P.A.  
David L. Fox, C.P.A.  
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### Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Vinton, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Vinton as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

### Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Vinton's basic financial statements. The financial statements and supplemental data for the years ended June 30, 2004 through June 30, 2012 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report, who expressed unqualified opinions on those financial statements and supplemental data. The supplementary information included in Schedules 1 through 4, is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards;. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 10 and 35 through 37 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 23, 2014 on our consideration of the City of Vinton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Vinton's internal control over financial reporting and compliance.

*Ridihalgh, Fuelling, Snitker, Weber & Co. P.C.*

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C.

January 23, 2014

# CITY OF VINTON

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110 West Third Street, P.O. Box 529, Vinton, Iowa 52349

Phone: (319) 472-4707

Fax: (319) 472-4456

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Vinton provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### Using This Annual Report

The annual report consists of a series of financial statements and other information as follows:

**Management's Discussion and Analysis** introduces the basic financial statements and provides an analytical overview of the City's financial activities

**Government-wide Financial Statement** consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances

**Fund Financial Statements** tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds

**Notes to Financial Statements** provide additional information essential to a full understanding of the data provided in the basic financial statements.

**Other Information** further explains and supports the financial statements with a comparison of the City's budget for the year

**Supplementary Information** provides detailed information about the non-major governmental funds and the City's indebtedness.

### Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

### Reporting the City's Financial Activities

**Government-wide Financial Statement** - The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

**Governmental Activities** are funded primarily through property tax, local option sales tax, road use tax and state and federal grants. Governmental Activities include the following:

**Public Safety** – includes police operations, fire protection, ambulance service, building inspections and animal control services

**Public Works** – includes roads, bridges and sidewalks, equipment replacement, street lighting, sanitation, traffic safety, snow removal and street cleaning

**Health and Social Services** – includes welfare assistance

**Culture and Recreation** – includes library services, parks, recreation, pool, and community center.

**Community and Economic Development** – includes economic development, housing rehab, and tax increment financing

**General Government** – includes mayor, city council, city clerk/treasurer, legal services, and city hall administrative and building needs

**Debt Service** – includes principal and interest payments for debt repayment

**Capital Projects** – major projects including street and infrastructure improvements.

**Business Type Activities** include the water, wastewater treatment, and landfill/recycling. These activities are financed primarily by user charges.

**Fund Financial Statements** - The City has two kinds of funds:

**Governmental funds** account for most of the City's basic services. These focus on how money flows in and out of those funds and the balances at year-end that are available for spending. The governmental funds include the General Fund, Special Revenue Funds such as Road Use Tax and Tax Increment Financing, the Debt Service Fund, the Capital Projects Fund, and the Permanent Fund. The Governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

**Proprietary funds** are also known as Business-Type funds. These funds, which include water, wastewater treatment and landfill/recycling services, are generally self-sufficient and are considered to be major funds of the City.

The required financial statements for Governmental and Proprietary Funds include statements of cash receipts, disbursements and changes in cash balances.

### **The City as Trustee**

The City is the trustee, or fiduciary, for its utility deposits. All of the City's fiduciary activities are reported in a separate Statement of Cash Receipts, Disbursements, and Changes in Cash Balances (Exhibit F). We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets are reported in this fund are used for its intended purpose.

### **Basic Financial Statements**

Part of the requirements of the Management Discussion and Analysis is to provide a brief discussion of the Basic Financial Statements included in this Report and the information they provide.

### **Statement of Activities and Net Position – Cash Basis (Exhibit A)**

The first section of the statement presents the eight governmental **Functions / Programs**. *Disbursements* for each are listed in the first column, with *Charges for Service* and other receipts shown to the right. The result is a Net (Disbursement) Receipts and Change in Cash Basis Net Position, which is helpful in determining the extent to which the programs support themselves.

The Next section lists **General Receipts**, including *Property Tax, Local Option Sales Tax Unrestricted Interest and Bond Proceeds*. These revenues are not listed in the first section because they are not generated from the direct operation of the functions/programs.

Finally, the report shows the net position end of year as \$6,706,934, compared to net position beginning of the year of \$4,151,040, a increase of \$2,555,894.

#### **Statement of Cash Receipts, Disbursements and Changes in Cash Balances, Governmental Funds (Exhibit B)**

The City maintains twenty seven funds under the "Governmental" classification. More detailed information on these nonmajor funds is included on the *Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Non-Major Governmental Funds* (Schedule 1).

#### **Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Cash Basis Statement of Activities and Net Position – Governmental Funds (Exhibit C)**

This reconciles any differences in the Cash Basis Net Position or the Cash Ending Balances from Exhibit A and Exhibit B. For Fiscal Year 2013, there were no differences in the Cash Basis Net Position or the Cash Ending Balances.

#### **Statement of Cash Receipts, Disbursements and Changes in Cash Balances, Proprietary Funds (Exhibit D)**

Proprietary Funds are used to report Business Type Activities (activities that are primarily self-supporting through service charges and user fees). The three proprietary funds for the City are the Water, Wastewater Treatment and Landfill/Recycling Funds.

#### **Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Position – Proprietary Funds (Exhibit E)**

This reconciles any differences in the Cash Basis Net Position or the Cash Ending Balances Exhibit A and Exhibit D. For Fiscal Year 2013, there were no differences in the Cash Basis Net Position or the Cash Ending Balances

#### **2013 Financial Highlights**

Revenues (not including transfers in) increased \$1,093,026 from FY12 to FY13. Property taxes and TIF collections increased by \$20,814 from FY12 to FY13. Bond proceeds increased from \$997,613 in FY12 to \$2,000,000 in FY13.

From FY12 to FY13 disbursements (not including transfers out) decreased approximately 8% from \$6,225,845 in FY12 to \$5,725,235 in FY13. The disbursements in the Business-Type Activities decreased approximately \$486,000.

The City's total cash basis net assets increased from \$4,084,358 in FY12 to \$6,706,934 at the Fiscal Year End 2013. The increase is \$2,509,836 in governmental activities and an increase of \$157,684 in Business-Type Activities.

Of note for 2013 is that the City's financial statements now include activity from Vinton Fireman's Association, considered component unit of the City for audit purposes. Revenues from the component unit

totaled \$218,164 and expenditures totaled \$185,790 for a net increase in cash balances of \$32,374. While the overall impact to the City's financial statements is minimal, it should be noted that the City's beginning balance net position for FY13 was increased by \$66,578 to reflect the inclusion of the component unit.

In addition, the financial information for Vinton Municipal Electric Utility is also a required part of the City's audit. The City has opted to present condensed financial information for this discreetly presented component unit. A condensed Statement of Cash Receipts, Disbursements and Changes in Cash Balances as well as notation of material weaknesses and significant deficiency is noted in Item 11 of the Auditor's Notes to Financial Statements.

### **Debt Administration**

As of June 30, 2013, the City had \$5,175,193 in debt outstanding compared to \$4,296,790 in 2012.

<b>Outstanding Debt at Year End June 30,</b>	<u>2013</u>	<u>2012</u>
General obligation bonds and notes	\$5,695,000	\$4,195,000
Water Revenue Bonds	\$ 19,000	\$ 21,000
Rural Electric Cooperative Note	<u>\$ 61,193</u>	<u>\$ 80,780</u>
TOTAL	<u>\$5,175,193</u>	<u>\$4,296,790</u>
Loans from Vinton Municipal Electric Utility (Component Unit)	\$ 258,820	\$ 318,113

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$5,175,193 is below its constitutional debt limit of \$11,250,134.

### **Contacting The City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cindy Michael, 110 West Third Street P.O. Box 529, Vinton, Iowa 52349.

**City of Vinton**



## **Basic Financial Statements**

City of Vinton

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions / Programs:</b>				
Governmental activities:				
Public safety	\$ 1,166,782	-	40,361	-
Public works	961,928	-	538,864	104,390
Health & Social Services	15,898	-	-	-
Culture and recreation	925,864	118,885	40,286	-
Community and economic development	49,489	5	1,344	-
General government	422,523	643	73,522	-
Debt service	746,938	-	23,138	-
Capital projects	218,759	-	117,026	-
Total governmental activities	4,508,181	119,533	834,541	104,390
Business type activities:				
Water	356,216	543,612	-	-
Sewer	451,997	506,310	-	-
Landfill	408,839	434,070	5,250	-
Total business type activities	1,217,052	1,483,992	5,250	-
Total	\$ 5,725,233	1,603,525	839,791	104,390

**General Receipts:**

Property tax levied for:  
    General purposes  
    Tax increment financing  
    Debt service  
Local option sales tax  
Unrestricted interest on investments  
Bond proceeds, net  
Miscellaneous  
Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

**Cash Basis Net Position**

Restricted  
    Nonspendable  
Expendable  
    Debt service  
    Streets  
    Local Option Sales Tax  
    Capital Projects  
    Urban Renewal  
    Other purposes  
Unassigned  
**Total cash basis net position**

See notes to financial statements

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(1,126,421)	-	(1,126,421)
(318,674)	-	(318,674)
(15,898)	-	(15,898)
(766,693)	-	(766,693)
(48,140)	-	(48,140)
(348,358)	-	(348,358)
(723,800)	-	(723,800)
(101,733)	-	(101,733)
(3,449,717)	-	(3,449,717)
-	187,396	187,396
-	54,313	54,313
-	30,481	30,481
-	272,190	272,190
(3,449,717)	272,190	(3,177,527)
1,620,060	-	1,620,060
196,806	-	196,806
329,791	-	329,791
350,590	-	350,590
2,213	15,152	17,365
2,000,000	-	2,000,000
1,211,848	6,961	1,218,809
181,565	(181,565)	-
5,892,873	(159,452)	5,733,421
2,443,156	112,738	2,555,894
3,221,752	929,288	4,151,040
5,664,908	1,042,026	6,706,934
\$ 100,000		100,000
2,974	-	2,974
178,412	-	178,412
284,607	-	284,607
2,124,041	-	2,124,041
1,007,143	-	1,007,143
1,278,178	-	1,278,178
689,553	1,042,026	1,731,579
\$ 5,664,908	1,042,026	6,706,934

City of Vinton

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2013

	General	Special Revenue Road Use Tax	Debt Service	Capital Project Capital Project	West TIF #1
Receipts:					
Property tax	\$ 1,141,769	-	329,791	-	-
Other city tax	-	-	-	-	-
Tax Increment Financing	-	-	-	-	-
Licenses and permits	59,861	-	-	-	-
Use of money and property	63,265	-	3,473	594	730
Intergovernmental	173,002	503,441	-	-	-
Charges for service	119,528	-	-	-	-
Special assessment	-	-	19,665	-	-
Miscellaneous	839,646	-	-	-	-
Total receipts	2,397,071	503,441	352,929	594	730
Disbursements:					
Operating:					
Public safety	811,579	-	-	-	-
Public works	440,590	521,338	-	-	-
Health & Social Services	5,898	-	-	-	-
Culture and recreation	885,812	-	-	-	-
Community and economic development	10,030	-	-	-	-
General government	422,523	-	-	-	-
Debt service	-	-	720,938	6,000	-
Capital projects	-	-	-	33,995	131,548
Total disbursements	2,576,432	521,338	720,938	39,995	131,548
Excess of receipts over disbursements	(179,361)	(17,897)	(368,009)	(39,401)	(130,818)
Other financing sources (uses):					
Bond Proceeds	-	-	40,000	1,960,000	-
Operating transfers in	1,168,506	-	325,420	12,000	117,372
Operating transfers out	(506,864)	(19,879)	-	-	-
Total other financing sources (uses)	661,642	(19,879)	365,420	1,972,000	117,372
Change in cash balances	482,281	(37,776)	(2,589)	1,932,599	(13,446)
Cash balances beginning of year	933,597	216,188	5,563	46,203	759,525
Cash balances end of year	\$ 1,415,878	178,412	2,974	1,978,802	746,079

**Cash Basis Fund Balances**

Restricted					
Nonspendable	\$ -	-	-	-	-
Expendable					
Debt service	-	-	2,974	-	-
Streets	-	178,412	-	-	-
Local Option Sales Tax	-	-	-	-	-
Capital Projects	-	-	-	1,978,802	-
Urban Renewal	-	-	-	-	746,079
Other purposes	688,282	-	-	-	-
Unassigned	727,596	-	-	-	-
Total cash basis fund balances	\$ 1,415,878	178,412	2,974	1,978,802	746,079

See notes to financial statements

Other Nonmajor Governmental Funds	Total
478,291	1,949,851
350,590	350,590
196,806	196,806
-	59,861
1,494	69,556
115,499	791,942
5	119,533
120	19,785
372,202	1,211,848
1,515,007	4,769,772

355,203	1,166,782
-	961,928
10,000	15,898
40,052	925,864
39,459	49,489
-	422,523
20,000	746,938
53,216	218,759
517,930	4,508,181
997,077	261,591

-	2,000,000
-	1,623,298
(914,990)	(1,441,733)
(914,990)	2,181,565
82,087	2,443,156
1,260,676	3,221,752
1,342,763	5,664,908

100,000	100,000.00
-	2,974
-	178,412
284,607	284,607
145,239	2,124,041
261,064	1,007,143
589,896	1,278,178
(38,043)	689,553
1,342,763	5,664,908

**Exhibit C**

City of Vinton

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Cash Basis Statement of Activities and Net Position -  
Governmental Funds

As of and for the year ended June 30, 2013

<b>Total governmental funds cash balances (page 18)</b>	\$5,664,908
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The city does not have an internal service fund.  
Therefore there are no reconciling items.

-

<b>Cash basis net position of governmental activities (page 16)</b>	<u><u>\$5,664,908</u></u>
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<b>Change in cash balances (page 18)</b>	\$2,443,156
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The city does not have an internal service fund.  
Therefore there are no reconciling items.

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<b>Change in cash basis net position of governmental activities (page 16)</b>	<u><u>\$2,443,156</u></u>
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See notes to financial statements

City of Vinton  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2013

	Water	Sewer	Landfill	Total
Operating receipts:				
Charges for service	\$ 543,612	506,310	434,070	1,483,992
Operating disbursements:				
Business type activities	353,533	451,997	408,839	1,214,369
Excess of operating receipts over operating disbursements	190,079	54,313	25,231	269,623
Non-operating receipts (disbursements)				
Use of money and property	13,928	1,054	170	15,152
Intergovernmental	-	-	5,250	5,250
Miscellaneous	4,405	755	1,801	6,961
Debt Service	(2,683)	-	-	(2,683)
Total non-operating receipts (disbursements)	15,650	1,809	7,221	24,680
Excess (deficiency) of receipts over (under) disbursements	205,729	56,122	32,452	294,303
Transfers in (out)	(137,958)	(18,607)	(25,000)	(181,565)
Change in cash balances	67,771	37,515	7,452	112,738
Cash balances beginning of year	82,576	713,969	132,743	929,288
Cash balances end of year	\$ 150,347	751,484	140,195	1,042,026
<b>Cash Basis Fund Balances</b>				
Restricted for debt service	\$ -	-	-	-
Unrestricted	150,347	751,484	140,195	1,042,026
Total cash basis fund balances	\$ 150,347	751,484	140,195	1,042,026

See notes to financial statements

**Exhibit E**

City of Vinton

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Cash Basis Statement of Activities and Net Position -  
Proprietary Funds

As of and for the year ended June 30, 2013

<b>Total enterprise funds cash balances (page 20)</b>	\$ 1,042,026
---	--------------

The city does not have an internal service fund.  
Therefore there are no reconciling items.

-

<b>Cash basis net position of business type activities (page 16)</b>	<u><u>\$ 1,042,026</u></u>
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<b>Change in cash balances (page 20)</b>	\$ 112,738
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The city does not have an internal service fund.  
Therefore there are no reconciling items.

-

<b>Change in cash basis net position of business type activities (page 16)</b>	<u><u>\$ 112,738</u></u>
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See notes to financial statements



## City of Vinton

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Fiduciary Funds

As of and for the year ended June 30, 2013

	Agency Funds
<b>Receipts</b>	
Deposits	\$ 39,421
<b>Disbursements</b>	
Refunds of deposits	<u>39,138</u>
<b>Net Change in Cash Balances</b>	283
Cash Balances - Beginning of Year	<u>89,092</u>
<b>Cash Balances - End of Year</b>	<u><u>\$ 89,374</u></u>

See notes to financial statements

City of Vinton

Notes to Financial Statements

June 30, 2013

**(1) Summary of Significant Accounting Policies**

The City of Vinton is a political subdivision of the State of Iowa located in Benton County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Vinton has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Vinton (the Primary Government), its blended component unit: the Vinton Fireman's Association, and its discretely presented component unit: Vinton Municipal Electric Utility. These component units are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. Certain disclosure about the discretely presented component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the City Clerk's office.

**Discretely Presented Component Unit**

Vinton Municipal Electric Utility (VMEU) is legally separate from the City, but has the potential to provide specific benefits to or impose specific burdens on the City. The Utility is governed by a five-member board appointed by the Mayor and approved by the City Council, and the Utility's budget is included with the City's budget approved by the City Council. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Utility meets the definition of a component unit which should be discretely presented. Condensed financial information presented in Note 11 was prepared on the cash basis of accounting in conformity with U.S. generally accepted accounting principles. Complete

financial statements for the year ended June 30, 2013 can be obtained from the City Clerk's office.

#### Blended Component Unit

The Vinton Fireman's Association (Association) is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. The Association has been established pursuant to local ordinance to maintain and repair the fire station and fire fighting equipment for the mutual benefit of the citizens of the area which fire trucks and equipment are owned by the City. Although the Association is legally separate from the City, its purpose is to benefit the City of Vinton (the primary government) by providing the above services and by soliciting contributions and managing those funds.

#### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Benton County Emergency Management Commission, Benton County Enhancement Committee, Benton County Joint E911 Service Board, Benton County Landfill Commission, Heartland Iowa Area Safety and Support Organization, North Benton Ambulance Board, Vinton Community Foundation Board, Vinton Unlimited Board, and Virginia Gay Hospital Board.

#### B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position are reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position result when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consist of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

*General Fund*

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

*Special Revenue*

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

*Debt Service*

The Debt Service Fund is used to account for collection of property taxes levied for the payment of principal and interest on the City's general obligation bonds and notes.

*Capital Projects*

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through proprietary funds.

The West TIF #1 Fund is used to account for bond proceeds and other revenue to be used for capital projects within the West TIF district.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's Water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Landfill Fund accounts for the City's solid waste collection and disposal system.

The City also reports a fiduciary fund which focuses on net position and changes in net position. The City's fiduciary fund includes the following:

The Agency Funds are used to account for assets of the various utilities and airport funds for future reimbursement held by the City in a trustee capacity.

C. Measurement Focus and Basis of Accounting

The City of Vinton maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

## E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. At June 30, 2013 disbursements exceeded the amount budgeted in the community and economic development, and debt service functions.

### (2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

### (3) **Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation capital loan notes and revenue bonds are as follows:

Year Ending June 30.	General Obligation Bonds and Notes		Water Revenue Bond		Rural Electric Cooperative Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 770,000	117,644	2,000	570	14,957	843	786,957	119,057
2015	660,000	109,369	2,000	510	20,293	773	682,293	110,652
2016	685,000	97,719	2,000	450	20,702	364	707,702	98,533
2017	585,000	85,650	2,000	390	<u>5,241</u>	<u>26</u>	592,241	86,066
2018	615,000	73,686	2,000	330			617,000	74,016
2019-2023	<u>2,380,000</u>	<u>186,717</u>	<u>9,000</u>	<u>720</u>			<u>2,389,000</u>	<u>187,437</u>
Total	\$ <u>5,695,000</u>	<u>670,785</u>	<u>19,000</u>	<u>2,970</u>	<u>61,193</u>	<u>2,006</u>	<u>5,775,193</u>	<u>675,761</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

#### *General Obligation Bonds*

On April 11, 2013, the City issued \$2,000,000 in General Obligation Corporate Purpose Bond, Series 2013, for the purpose of paying the cost, to that extent, of constructing street, curb and gutter, storm sewer and water works improvements and the remediation, restoration repair, cleanup, replacement and improvement of property, buildings, equipment and public facilities damaged by a disaster. Interest

rates are from .40% to 1.90%. The loan matures June 1 of each year starting June 1, 2014. Interest is payable December 1, 2013, and every June 1, and December 1, of each year thereafter. Principal is payable June 1, 2014 and annually on June 1, thereafter. Bonds are dated April 11, 2013, are in denominations of \$5,000 or integral multiples thereof. They are subject to prepayment prior to maturity. Final payment is scheduled for 2023. Balance at June 30, 2013 was \$2,000,000.

There is a General Obligation Street Improvement and Refunding Bond, Series 2012, for \$985,000, for the purpose of paying the costs, to that extent, of constructing street improvements and refunding the outstanding balance of the City's Water Revenue Improvement and Refunding Bonds, Series 2006. Interest rates are from .80% to 2.05%. Bonds are dated June 26, 2012, are in denominations of \$5,000 or integral multiples thereof. They are subject to prepayment prior to maturity. Balance at June 30, 2013 was \$855,000.

There is a General Obligation Refunding Bond Series 2011 with original balance of \$1,280,000. Interest rates are from 2.0% to 2.75%. Bonds are dated March 15, 2011, are in denominations of \$5,000 or integral multiples thereof. They are subject to prepayment prior to maturity. Balance at June 30, 2013 was \$875,000.

There is a General Obligation Corporate Purpose and Refunding Bond Series 2006 with original balance of \$2,875,000. Interest rates are from 4.13% to 4.30%. Bonds are dated August 1, 2006, are in denominations of \$5,000 or integral multiples thereof. They are subject to prepayment prior to maturity. Balance at June 30, 2013 was \$1,965,000.

#### *Revenue Bonds*

The City has pledged future water customer receipts, net of specified operating disbursements, to repay water revenue bonds. Proceeds from the bonds provided financing for the construction of water facilities and to refund Series 1997 water revenue bonds. Interest rate is 3.00%. The bonds are payable solely from water customer net receipts and are payable through 2022. For the current year, principal and interest paid were \$2,000 and \$630 respectively. Balance at June 30, 2013 was \$19,000.

#### *Rural Electric Cooperative Note*

During the year ended June 30, 2006 East-Central Iowa Rural Electric Cooperative of Urbana, Iowa loaned \$200,000 to the City of Vinton under a Rural Economic Development Loan and Grant Program. This loan was used to assist in the financing of the new road to the high school. The first \$100,000 was interest free and the remaining was at 2%. The City made repayment of \$21,066 during the year ended June 30, 2013 which included interest of \$1,469. The note payable balance was \$61,193 at June 30, 2013.

#### *Loans from Component Unit*

During the year ended June 30, 2007, the Utility loaned \$62,098 to the City of Vinton to help finance the purchase of an aerial truck. The City made repayment of \$7,594 during the year ended June 30, 2013 which included interest of \$1,302. The note payable balance was \$27,820 at June 30, 2013.

During the year ended June 30, 2011, the Utility loaned \$330,000 to help finance the purchase of Street Department equipment. The City made repayment of \$39,394 during the year ended June 30, 2013 which included interest of \$6,394. The note payable balance was \$231,000 at June 30, 2013.

During the year ended June 30, 2012, the Utility loaned \$20,000 to the City of Vinton to help finance water main repairs and replacements. The City made repayment of \$20,000 during the year ended June 30, 2013 which included no interest. There was no note payable balance at June 30, 2013.



#### *Interfund Loans*

The City Council approved a noninterest-bearing interfund loan in the amount of \$335,000 on October 2, 2009 and an additional \$120,000 noninterest-bearing interfund loan on October 22, 2009, from the Enterprise Sewer Fund to the Special Revenue West TIF #1 Fund. The City Council approved a 1% interest rate on these interfund loans on September 30, 2010. The City Council approved a 2% interest-bearing interfund loan in the amount of \$150,000 on November 10, 2011. During the year ended June 30, 2012, \$75,000 was advanced on this loan. No payments were made during the year ended June 30, 2013. The interfund loan balance was \$530,000 at June 30, 2013.

#### **(4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2013, was \$131,712, equal to the required contributions for the year.

#### **(5) Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their families. There are 28 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under 65 would pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$524 for single coverage and \$1,304 for family coverage. The City pays 75% of the difference between single and family rates. For the year ended June 30, 2013, the City contributed \$366,872 and plan members eligible for benefits contributed \$46,222 to the plan.

#### **(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. Vacation must be used within 12 months of the year earned. Payment for unused vacation is made at employee separation, otherwise vacation pay is considered a continuation of normal salary. Permanent full-time employees earn one day of sick leave for each month of employment with a maximum accumulation of 120 days.



Payouts of sick pay are made for time off due to illness or injury. At employee retirement, disability or death, one-half of accumulated sick pay is paid to the employee. If the employee is younger than age 63½ at retirement, disability or death, the maximum payout is limited to 45 days. These accumulations are not recognized as disbursements by the City until used or paid. Any employee hired after July 1, 2011 is not eligible for this payout unless provided under collective bargaining agreement. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

<u>Type of benefit</u>	<u>Amount</u>
Vacation	\$ 48,993
Sick	<u>296,807</u>
Total	<u>\$ 345,800</u>

This liability has been computed based on rates of pay in effect at June 30, 2013.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Enterprise	
	Landfill	\$ 25,000
	Water	57,294
	Sewer	70,003
	Special Revenue	
	FICA	161,541
	Employee Benefit	290,711
	Capital Projects	
	2011 Windstorm	40,000
	General	
	Revolving	<u>6,294</u>
		<u>650,843</u>
General Fund		
Airport	General	<u>20,000</u>
General Fund		
Library	General	181,016
	Special Revenue	
	LOST	25,595
	Enterprise	
	Sewer	125
	Water	<u>155</u>
		<u>206,891</u>
General Fund		
Park	General	295,435
	Enterprise	
	Sewer	677
	Water	<u>1,468</u>
		<u>297,580</u>

Special Revenue	Special Revenue	
Housing	SE TIF	28,620
	W TIF	16,884
	SW TIF	<u>2,983</u>
		<u>48,487</u>
Capital Projects	Special Revenue	
	W TIF	<u>12,000</u>
Capital Project		
Tree Fund	General	<u>10,500</u>
Capital Project	Special Revenue	
W TIF #1	LOST	<u>117,372</u>
Capital Project	Special Revenue	
Sidewalk	Road Use Tax	6,000
	LOST	<u>500</u>
		<u>6,500</u>
Capital Project	Special Revenue	
2nd Ave Water Main	LOST	<u>32,128</u>
Capital Project	Special Revenue	
Downtown Improv.	Downtown TIF#1	<u>10,856</u>
Debt Service	Special Revenue	
	Road Use Tax	13,879
	SE TIF	37,925
	W TIF	7,384
	SW TIF	13,275
	LOST	75,000
	Enterprise	
	Sewer	45,984
	Water	<u>131,973</u>
		<u>325,420</u>
Enterprise	Enterprise	
Water	Sewer	26,250
	Capital Project	
	2011 Windstorm	14,800
	Special Revenue	
	SE TIF	<u>11,455</u>
		<u>52,505</u>
Enterprise	Capital Project	
	2011 Windstorm	1,200
	Special Revenue	
	W TIF	<u>123,231</u>
		<u>124,431</u>
Total		<u>\$ 1,915,513</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(8) Industrial Development Revenue Bonds and Hospital Revenue Bonds**

The City has issued a total of \$1,560,000 of industrial development revenue bonds and \$6,800,000 of hospital revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the revenue of the businesses and hospital occupying the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

**(9) Related Party Transactions**

The City had business transactions between the City and City officials during the year ended June 30, 2013 totaling \$1,942.

The discretely presented component unit, Vinton Municipal Electric Utility (the Utility), is a member of Resale Power Group of Iowa (RPGI), a joint and cooperative undertaking under the provisions of Chapter 28E of the Code of Iowa. RPGI is administered by the Iowa Association of Municipal Utilities and was organized to provide members with combined bargaining power in negotiating wholesale power contracts and a method of investing in the construction of power lines. This joint venture is accounted for under the equity method. The Utility's approximate pro rata interest in RPGI was 7.9%. This was determined based on the ratio of the Utility's cumulative energy purchases from RPGI to total energy sales by RPGI to all members. RPGI issues separate, audited, financial statements which are available upon request.

The Utility provides electrical service to various City departments and bills the City for that usage. The City provides meter reading, administration and accounting services to the Utility. The Utility pays one-half the salary of the Meter Reader and City Clerk, and contributes funds to cover the costs of employing one full time office employee at the City. As disclosed in Note 3, the City had outstanding loans due to the Utility at June 30, 2013.

Transactions between the Utility and the City and balances at year end are as follows:

	<u>2013</u>
Amounts billed to the City for electrical services	\$ 134,376
Amounts paid by the City for services	132,688
Payable to the Utility at year end for electric services	13,818
Note balance beginning of year	318,113
Amounts paid by the City for loan repayments	<u>59,293</u>
Note balance at year end	258,820
Amounts paid by the City for Interest on loans	7,696
Payments received by the City for services received	194,480

For payroll reporting purposes, the Utility employees are classified as City employees. Payroll costs are transferred by the Utility to the City's bank account for payment to, or on behalf of, the employees.

Commercial insurance coverage is combined between the Utility and the City. The Utility pays its share of the premium directly to the insurer.

The Utility purchases electricity for resale from RPGI. Transactions with RPGI and balances at year end are as follows:

	<u>2013</u>
Electricity purchased	2,042,089
Cash payments to RPGI	2,082,573
Amounts due to RPGI	201,284

**(10) Risk Management**

The City and its discretely presented component unit are exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except for distribution property and equipment of the discretely presented component unit, these risks are covered by the purchase of commercial insurance and settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.. The City assumes liability for any deductibles and claims in excess of coverage limitations. The discretely presented component unit has retained the risk of damage to and destruction of most distribution property and equipment. There were no material estimated liabilities at the beginning or end of the current fiscal year, or material claims paid, during the past three fiscal years.

**(11) Vinton Municipal Electric Utility**

Vinton Municipal Electric Utility (VMEU) provides electric services to the City and its residents. As permitted by GASB Statement No. 34, the City has opted to present condensed financial information for this discretely presented component unit. The following is the condensed financial information for the Utility for the year ended June 30, 2013.

<u>Condensed Statement of Net Position</u>	
Assets:	
Current assets	\$ 5,144,004
Capital assets, net of accumulated depreciation	5,806,319
Other	524,900
Total assets	<u>11,475,223</u>
Liabilities:	
Current liabilities	355,779
Total liabilities	<u>355,779</u>
Net Position:	
Invested in capital assets	5,806,319
Unrestricted	5,313,125
Total net position	<u>\$ 11,119,444</u>

Condensed Statement of Revenues,  
Expenses and Change in Fund Net Position

Revenues:	
Charges for Service	\$ 4,130,181
Sales to City of Vinton	134,376
Other	92,809
Total revenue	<u>4,357,366</u>
Operating expenses:	
Generation	2,467,225
Distribution	391,615
Customer account	24,251
Administration and general	330,720
Benefits to community and city	87,006
Depreciation and amortization	225,564
Total expenses	<u>3,526,381</u>
Operating income	<u>830,985</u>
Non-operating revenue (expenses):	
Federal grants	59,892
State grants	7,986
Interest income	12,681
Equity in net income of joint venture	23,951
Gain on disposal of assets	38,793
Windstorm Expense	(17,187)
Other revenue	53,898
Total non-operating revenues (expenses)	<u>180,014</u>
Change in Net Position	1,010,999
Net Position, beginning of year	<u>10,108,445</u>
Net Position, end of year	<u>\$ 11,119,444</u>

**(12) Construction Contracts**

At June 30, 2013, the City had remaining contract balances totaling \$413,982 for ongoing projects. Project costs will be paid as work on the unfinished projects progresses.

**(13) Deficit Balance**

The Capital Projects – Flood Mitigation Fund had a deficit balance of \$38,043 at June 30, 2013. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of federal and state funds.

**(14) Litigation**

As a member of the Resale Power Group of Iowa, the discretely presented component unit, Vinton Municipal Electric Utility, is currently a party to litigation of Central Iowa Power Cooperative (CIPCO), v. RPGI, Vinton Municipal Electric Utility and City of Vinton, Iowa, and all other member utilities. All parties have agreed to a settlement,

which is pending approval of the Federal Energy Regulatory Commission. Once FERC approval has been granted, the amount the Utility will be responsible for will be provided to them. At that point, all claims will be considered settled.

**(15) Subsequent Event**

On August 8, 2013, the Council approved and signed a contract with Stickfort Construction Co. for \$1,149,485 for the W 13<sup>th</sup> St RISE project.

On August 22, 2013, the Council approved the contract with Brycon LLC for \$45,590 for the Airport Hangar Approach project.

In October 2012, the discretely presented component unit, Vinton Municipal Electric Utility, agreed to a settlement in the lawsuit concerning the use of transmission systems. The Utility agreed to pay a total of \$92,433 over a five year period expected to begin March 2014.

## **Other Information**

City of Vinton

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,949,851	-	-
Tax increment financing collections	196,806	-	-
Other city tax	350,590	-	-
Licenses and permits	59,861	5,250	-
Use of money and property	69,556	15,152	4
Intergovernmental	791,942	-	-
Charges for service	119,533	1,483,992	-
Special assessment	19,785	-	-
Miscellaneous	1,211,848	6,961	218,160
Total receipts	4,769,772	1,511,355	218,164
Disbursements:			
Public safety	1,166,782	-	185,790
Public works	961,928	-	-
Health & Social Services	15,898	-	-
Culture and recreation	925,864	-	-
Community and economic development	49,489	-	-
General government	422,523	-	-
Debt service	746,938	2,683	-
Capital projects	218,759	-	-
Business type activities	-	1,214,369	-
Total disbursements	4,508,181	1,217,052	185,790
Excess of receipts over disbursements	261,591	294,303	32,374
Other financing sources (uses), net	2,181,565	(181,565)	-
Excess of receipts and other financing sources over disbursements and other financing uses	2,443,156	112,738	32,374
Balances beginning of year	3,221,752	929,288	66,578
Balances end of year	\$ 5,664,908	1,042,026	98,952

Note: Budgeted amounts original and final as published include Discrete Component Unit - Vinton Municipal Electric Utility.

Charges for Services Revenue: \$5,154,474 and Business Type Activities Disbursements: \$6,289

See accompanying independent auditor's report.



Net	Budgeted Amounts			Final to Net Variance
	Original	Final as published	Final City Portion	
1,949,851	1,941,986	1,941,986	1,941,986	7,865
196,806	217,234	217,234	217,234	(20,428)
350,590	310,287	310,287	310,287	40,303
65,111	64,000	64,000	64,000	1,111
84,704	74,050	74,050	74,050	10,654
791,942	1,733,144	2,164,455	2,164,455	(1,372,513)
1,603,525	6,578,676	6,578,676	1,424,202	179,323
19,785	20,000	20,000	20,000	(215)
1,000,649	9,100	9,100	9,100	991,549
6,062,963	10,948,477	11,379,788	6,225,314	(162,351)
980,992	878,919	1,078,919	1,078,919	97,927
961,928	894,960	1,318,263	1,318,263	356,335
15,898	32,832	32,832	32,832	16,934
925,864	977,326	1,277,326	1,277,326	351,462
49,489	22,000	22,000	22,000	(27,489)
422,523	461,416	637,526	637,526	215,003
749,621	546,687	596,687	596,687	(152,934)
218,759	686,390	686,390	686,390	467,631
1,214,369	8,022,011	8,022,011	1,732,387	518,018
5,539,443	12,522,541	13,671,954	7,382,330	1,842,887
523,520	(1,574,064)	(2,292,166)	(1,157,016)	1,680,536
2,000,000	700,000	3,102,297	3,102,297	(1,102,297)
2,523,520	(874,064)	810,131	1,945,281	578,239
4,084,462	3,839,858	3,839,858	3,839,858	244,604
6,607,982	2,965,794	4,649,989	5,785,139	822,843

City of Vinton

Notes to Other Information – Budgetary Reporting

June 30, 2013

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Funds. The annual budget may be amended during the year utilizing statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$1,149,413. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the Community and Economic Development, and Debt Service functions.

**City of Vinton**

### **Supplementary Information**

**City of Vinton**

City of Vinton

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2013

	Special Revenue				
	FICA & IPERS	Employee Benefits	LOST	NW TIF	SE TIF
Receipts:					
Property tax	\$ 170,853	307,438	-	-	-
Other city tax	-	-	350,590	-	-
Tax increment financing	-	-	-	-	76,927
Use of money and property	-	-	413	106	92
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Special Assessment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total receipts	170,853	307,438	351,003	106	77,019
Disbursements:					
Operating:					
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Health & social services	-	-	10,000	-	-
Culture and recreation	-	-	40,052	-	-
Community and economic development	-	-	16,395	10,000	-
General government	-	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	-	-	66,447	10,000	-
Excess (deficiency) of receipts over (under) disbursements	170,853	307,438	284,556	(9,894)	77,019
Other financing sources:					
Operating transfers in (out)	(161,542)	(290,711)	(250,595)	-	(78,000)
Change in cash balances	9,311	16,727	33,961	(9,894)	(981)
Cash balances beginning of year	6,295	42,153	250,646	78,804	45,207
Cash balances end of year	\$ 15,606	58,880	284,607	68,910	44,226
<b>Cash Basis Fund Balances</b>					
Restricted					
Nonspendable	\$ -	-	-	-	-
Expendable					
Debt service	-	-	-	-	-
Streets	-	-	-	-	-
Local Option Sales Tax	-	-	284,607	-	-
Capital Projects	-	-	-	-	-
Urban Renewal	-	-	-	68,910	44,226
Other purposes	15,606	58,880	-	-	-
Unrestricted	-	-	-	-	-
Total cash basis fund balances	\$ 15,606	58,880	284,607	68,910	44,226

See accompanying independent auditor's report

Special Revenue						
West TIF #1	SW TIF	Downtown #1 TIF	West #2 TIF	Police Training Program	Asset Forfeiture	Tobin Trust
-	-	-	-	-	-	-
-	-	-	-	-	-	-
84,562	35,317	-	-	-	-	-
147	9	18	91	-	332	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	1,000	122,941	-
84,709	35,326	18	91	1,000	123,273	-
-	-	-	-	2,497	166,916	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	20,000	-	-	-	-	-
-	-	-	-	-	-	-
-	20,000	-	-	2,497	166,916	-
84,709	15,326	18	91	(1,497)	(43,643)	-
(159,499)	(16,258)	(10,856)	-	-	-	-
(74,790)	(932)	(10,838)	91	(1,497)	(43,643)	-
136,652	2,462	24,078	71,205	4,946	270,579	100,000
61,862	1,530	13,240	71,296	3,449	226,936	100,000
-	-	-	-	-	-	100,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
61,862	1,530	13,240	71,296	-	-	-
-	-	-	-	3,449	226,936	-
-	-	-	-	-	-	-
61,862	1,530	13,240	71,296	3,449	226,936	100,000

	Special Revenue		Capital Projects		
	Housing	Vinton Fireman's Association	Tree	NW TIF	SW TIF
Receipts:					
Property tax	-	-	-	-	-
Other city tax	-	-	-	-	-
Tax increment financing	-	-	-	-	-
Use of money and property	199	4	-	8	15
Intergovernmental	-	-	-	-	-
Charges for services	5	-	-	-	-
Special Assessment	-	-	-	-	-
Miscellaneous	18,101	218,160	12,000	-	-
Total receipts	18,305	218,164	12,000	8	15
Disbursements:					
Operating:					
Public safety	-	185,790	-	-	-
Public works	-	-	-	-	-
Health & social services	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community and economic development	13,064	-	-	-	-
General government	-	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	4,406	-	-
Total disbursements	13,064	185,790	4,406	-	-
Excess (deficiency) of receipts over (under) disbursements	5,241	32,374	7,594	8	15
Other financing sources:					
Operating transfers in (out)	48,487	-	10,500	-	-
Change in cash balances	53,728	32,374	18,094	8	15
Cash balances beginning of year	132,345	66,578	-	5,245	12,711
Cash balances end of year	186,073	98,952	18,094	5,253	12,726
<b>Cash Basis Fund Balances</b>					
Restricted					
Nonspendable	-	-	-	-	-
Expendable					
Debt service	-	-	-	-	-
Streets	-	-	-	-	-
Local Option Sales Tax	-	-	-	-	-
Capital Projects	-	-	18,094	5,253	12,726
Urban Renewal	-	-	-	-	-
Other purposes	186,073	98,952	-	-	-
Unrestricted	-	-	-	-	-
Total cash basis fund balances	186,073	98,952	18,094	5,253	12,726

See accompanying independent auditor's report



Capital Projects						
Flood Mitigation	Jul-11 Windstorm	Sidewalk	SAFETEA-LU	2nd Ave Water Main Replacement	Downtown Improvement	Total
-	-	-	-	-	-	478,291
-	-	-	-	-	-	350,590
-	-	-	-	-	-	196,806
-	-	-	60	-	-	1,494
11,739	103,760	-	-	-	-	115,499
-	-	-	-	-	-	5
-	-	120	-	-	-	120
-	-	-	-	-	-	372,202
11,739	103,760	120	60	-	-	1,515,007
-	-	-	-	-	-	355,203
-	-	-	-	-	-	-
-	-	-	-	-	-	10,000
-	-	-	-	-	-	40,052
-	-	-	-	-	-	39,459
-	-	-	-	-	-	-
-	-	-	-	-	-	20,000
2,129	-	11,100	-	24,725	10,856	53,216
2,129	-	11,100	-	24,725	10,856	517,930
9,610	103,760	(10,980)	60	(24,725)	(10,856)	997,077
-	(56,000)	6,500	-	32,128	10,856	(914,990)
9,610	47,760	(4,480)	60	7,403	-	82,087
(47,653)	19,234	4,756	41,785	(7,403)	51	1,260,676
(38,043)	66,994	276	41,845	-	51	1,342,763
-	-	-	-	-	-	100,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	284,607
-	66,994	276	41,845	-	51	145,239
-	-	-	-	-	-	261,064
-	-	-	-	-	-	589,896
(38,043)	-	-	-	-	-	(38,043)
(38,043)	66,994	276	41,845	-	51	1,342,763

City of Vinton  
Schedule of Indebtedness  
Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds/Notes:			
Corporate Purpose Bonds Series 2013	March 11, 2013	1.379%	\$ 2,000,000
Corporate Purpose and Refunding Series 2012	June 26, 2012	.08-2.05%	985,000
Corporate Purpose and Refunding Series 2011	March 15, 2011	2.00-2.75%	1,280,000
Corporate Purpose and Refunding Series 2006	August 1, 2006	4.13-4.30%	2,875,000
Total			
Water Revenue Bonds:			
2002 Issue	October 8, 2002	3.00%	40,000
Nonbonded Indebtedness			
Rural Electric Cooperative	June 29, 2006	2.00%	200,000
Vinton Municipal Electric Utility (Component Unit)			
Street Department Equipment	July 8, 2010	2.50%	330,000
Aerial Truck	June 1, 2007	4.00%	62,098
Water Main Repair & Replacement	January 18, 2012	0.00%	20,000

See accompanying independent auditor's report

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
-	2,000,000	-	2,000,000	-	-
985,000	-	130,000	855,000	11,285	-
1,085,000	-	210,000	875,000	23,150	-
2,125,000	-	160,000	1,965,000	89,542	-
<u>\$ 4,195,000</u>	<u>2,000,000</u>	<u>500,000</u>	<u>5,695,000</u>	<u>123,977</u>	<u>-</u>
21,000	-	2,000	19,000	630	-
80,790	-	19,597	61,193	1,469	-
264,000	-	33,000	231,000	6,394	-
34,112	-	6,292	27,820	1,302	-
20,000	-	20,000	-	-	-
<u>318,112</u>	<u>-</u>	<u>59,292</u>	<u>258,820</u>	<u>7,696</u>	<u>-</u>

City of Vinton  
Bond and Note Maturities

June 30, 2013

Year Ending June 30,	General Obligation					
	Corporate Purpose		Corporate Purpose and Refunding		Corporate Purpose and Refunding	
	Series 2013		Series 2012		Series 2011	
	Issued March 11, 2013		Issued June 26, 2012		Issued March 15, 2011	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2014	0.40%	185,000	0.80%	210,000	2.00%	210,000
2015	0.50%	190,000	0.80%	75,000	2.00%	215,000
2016	0.60%	195,000	0.80%	75,000	2.00%	220,000
2017	0.75%	195,000	1.25%	80,000	2.50%	110,000
2018	0.90%	200,000	1.25%	80,000	2.75%	120,000
2019	1.10%	200,000	1.65%	80,000		
2020	1.30%	205,000	1.65%	85,000		
2021	1.50%	205,000	2.05%	85,000		
2022	1.70%	210,000	2.05%	85,000		
2023	1.90%	215,000				
		<u>\$ 2,000,000</u>		<u>855,000</u>		<u>875,000</u>

Corporate Purpose and Refunding Series 2006 Issued August 1, 2006			Revenue Bond Water Revenue Bond Issued October 8, 2002		Rural Electric Note East-Central Iowa Rural Cooperative Issued June 29, 2006	
Interest Rates	Amount	Total	Interest Rates	Amount	Interest Rates	Amount
4.13%	165,000	770,000	3.00%	2,000	2.00%	14,957
4.13%	180,000	660,000	3.00%	2,000	2.00%	20,293
4.13%	195,000	685,000	3.00%	2,000	2.00%	20,702
4.25%	200,000	585,000	3.00%	2,000	2.00%	5,241
4.25%	215,000	615,000	3.00%	2,000		
4.25%	220,000	500,000	3.00%	2,000		
4.25%	195,000	485,000	3.00%	2,000		
4.25%	205,000	495,000	3.00%	2,000		
4.25%	180,000	475,000	3.00%	3,000		
4.30%	210,000	425,000				
	<u>1,965,000</u>	<u>\$5,695,000</u>		<u>\$19,000</u>		<u>\$ 61,193</u>

City of Vinton

Schedule of Receipts by Source and Disbursements By Function  
All Governmental Funds

Years Ended June 30, 2007 through 2013

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Receipts:				
Property tax	\$ 1,949,851	1,906,380	1,741,198	1,660,159
Tax increment financing	196,806	219,463	193,539	235,937
Other city tax	350,590	317,234	305,162	325,196
Licenses and permits	59,861	74,082	62,757	55,805
Use of money and property	69,556	41,092	26,479	18,614
Intergovernmental	791,942	1,427,033	1,579,660	1,915,116
Charges for service	119,533	449,486	681,110	592,712
Special assessments	19,785	22,118	18,276	24,983
Miscellaneous	<u>1,211,848</u>	<u>109,281</u>	<u>140,222</u>	<u>145,487</u>
Total	<u>\$ 4,769,772</u>	<u>4,566,169</u>	<u>4,748,403</u>	<u>4,974,009</u>
Disbursements:				
Operating:				
Public safety	\$ 1,166,782	876,443	800,008	906,850
Public works	961,928	1,096,695	803,130	1,380,414
Health & Social Services	15,898	30,978	31,986	20,355
Culture and recreation	925,864	913,989	893,606	931,478
Community and economic development	49,489	31,893	25,087	374,213
General government	422,523	722,020	428,031	453,244
Debt service	746,938	530,570	1,840,112	616,038
Capital projects	<u>218,759</u>	<u>549,496</u>	<u>1,022,695</u>	<u>1,835,677</u>
Total	<u>\$ 4,508,181</u>	<u>4,752,084</u>	<u>5,844,655</u>	<u>6,518,269</u>

See accompanying independent auditor's report

<u>2009</u>	<u>2008</u>	<u>2007</u>
1,537,888	1,526,739	1,650,684
280,711	269,535	178,229
234,030	-	9,105
66,077	63,122	62,594
28,533	70,180	176,261
1,505,360	991,497	512,879
620,404	657,860	565,010
22,596	34,916	27,850
<u>225,865</u>	<u>92,792</u>	<u>285,057</u>
<u><u>4,521,464</u></u>	<u><u>3,706,641</u></u>	<u><u>3,467,669</u></u>
887,273	752,390	709,217
808,293	710,570	693,681
14,842	12,585	14,476
798,952	709,141	729,993
19,954	16,423	65,423
426,648	397,033	382,315
622,876	652,727	758,187
<u>634,942</u>	<u>1,406,539</u>	<u>1,339,191</u>
<u><u>4,213,780</u></u>	<u><u>4,657,408</u></u>	<u><u>4,692,483</u></u>



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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Vinton, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 23, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Vinton's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Vinton's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Vinton's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and significant.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Vinton's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13, II-E-13, II-F-13 and II-G-13 to be material weaknesses.



A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-13, II-C-13, II-D-13, and II-H-13 to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Vinton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### City of Vinton's Responses to Findings

The City of Vinton's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Vinton's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other persons.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Vinton during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Ridihalgh, Fuelling, Snitker, Weber & Co. P.C.*

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C., CPA'S

January 23, 2014

City of Vinton  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2013

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The City of Vinton did not expend in excess of the OMB A-133 Single Audit dollar threshold of \$500,000 for the year ended June 30, 2013.

City of Vinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- II-A-13 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – Segregation of duties is controlled as much as possible considering the limited number of employees.

Conclusion – Response acknowledged.

- II-B-13 Preparation of Financial Statements – The City of Vinton, Iowa employs an accounting staff with the ability to prepare its financial statements (including footnotes disclosures) in conformity with accounting principles general accepted in the United States of America, but the staff does not have the training or reference materials available to draft the footnotes to the financial statements; therefore, it relies on its auditors to prepare such statements.

Response – Management relies on the auditors' expertise to draft the financial statements and to monitor reporting requirements. The draft financial statements are approved prior to their issuance.

Conclusion – Response acknowledged.

- II-C-13 Transfers – The City has a policy of approving all transfers between funds through the budget process. However, we noted several instances where amounts actually transferred were not approved in the budget. We also noted a transfer not properly recorded as a transfer in

Recommendation – We recommend the City review all transfers needing to be made and approve them on an individual monthly basis. Recurring and known transfers may continue to be approved through the budget process.

Response – We will do this.

Conclusion – Response acknowledged.

- II-D-13 Timesheets – The City has a policy of all non-salaried employees preparing timesheets for approval for payroll. Currently salaried employees do not

City of Vinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

prepare timesheets. Currently department heads timesheets are not approved by anyone.

Recommendation – The City should implement a policy that all City employees prepare timesheets and that all timesheets are approved by the department head or mayor.

Response – The City will consider this.

Conclusion – Response accepted.

- II-E-13 Water Utility Rates – Chapter 92.02 of the City’s Code of Ordinances states that the water rates. It states that the first 1,000 cubic feet per month are charged at \$2.00 per 100 cubic feet. During our audit we discovered that the City is not billing customers for the first 20 cubic feet of usage.

Recommendation – The City should review their billing system rates to make sure they are in compliance with the City Ordinance. If the City wishes to change the rates, they should amend the Ordinance.

Response – This oversight has now been corrected.

Conclusion – Response accepted.

- II-F-13 Sewer Utility Rates – The City Council approved the basic fee for Sewer service to increase from \$6.19 to \$8.19 effective August 2012. The increase in fees was not properly implemented until December 2012. As a result, customers were under billed for four months.

Recommendation – The City should review their billing system after each approved rate increase by the City, to ensure the correct rates are being reflected and charged to customers.

Response – This was an oversight on the part of management and the utility billing software has been corrected. Rates now correctly reflect the increased sewer rate.

Conclusion – Response acknowledged.

- II-G-13 Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year. A reconciliation is designed to ensure the proper recording of utility receipts, propriety of adjustments and write-offs and propriety of delinquent account balances.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period and to reconcile

City of Vinton

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Year ended June 30, 2013

collections to deposits. The City Council should review the reconciliations and monitor delinquencies.

Response- The City will consider implementing these procedures.

Conclusion – Response accepted.

- II-H-13 Inter-fund Loan Amortization Schedules-During our audit the City was unable to produce amortization schedules in regard to the inter-fund loans as they apply to TIF district certification, requests and collections. Discussion with Benton County Auditor allowed us to satisfy ourselves on the TIF.

Recommendation-City should be tracking amounts owed between funds and also amounts of TIF certified, requested and received.

Response-The City will began to track TIF requests and receipts as they apply to the inter-fund loans.

Conclusion-Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Part III: Other Findings Related to Statutory Reporting:**

- III-A-13 Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amount budgeted in the community and economic development, and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended before disbursements are allowed to exceed it in the future in accordance with Chapter 348.18 of the Code of Iowa.

Conclusion – Response accepted.

- III-B-13 Questionable Disbursements – There were no disbursements noted that do not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

- III-C-13 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Vinton

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III-D-13 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Ron Elwick, City Council Member Elwick Electric	Electric Services	\$ 1,942

In accordance with Chapter 362.5(11) of the Code of Iowa, the above transaction do not appear to represent a conflict of interest since the amounts are for less than \$2,500 each.

III-E-13 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-13 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

III-H-13 Payment of General Obligation Bonds – The City properly paid for its General Obligation bonds out of the debt service fund.

III-I-13 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

III-J-13 Financial Condition – The Capital Projects – Flood Mitigation Fund had a deficit balance of \$38,043 at June 30, 2013.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – The deficit balance was due to expenses incurred prior to receipt of a state grant. The deficit will be eliminated.

Conclusion – Response accepted.

III-K-13 Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid.

City of Vinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

No instances of non-compliance with the City's TIF funds noted.

- III-L-13 Urban Renewal Annual Report – The urban renewal annual report was approved and was certified to the Iowa Department of Management on or before December 1. No other instances of non-compliances with the Urban Renewal Annual Report was noted.

City of Vinton

Staff

This audit was performed by:

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